

Ethical Emerging Markets Value

EQUITY

In line with benchmark so far

Emerging markets outperforms

Markets In April, emerging market equities, measured in Euros, rose slightly, with the MSCI EM index up 0.37%. They continued to outperform developed market equities, which saw the MSCI World index fall 0.36%. Both indices gave higher returns in US dollars, with Euro returns limited by the Euro gaining 2.3% during April – rallying particularly after the first round of the French presidential election.

The slower pace of gains in April was arguably reflective of a few factors. There was a risk-off atmosphere prior to the French election, and global PMIs have been rising but in the short term may have little further to go. There has also been slightly weakened belief in Trump's ability to deliver stimulus, although this has perhaps been counterbalanced by the lack so far of trade conflicts, which had been a key concern. Notably within the space of a few days, Trump's rhetoric on NAFTA shifted from the US leaving NAFTA, to renegotiating the trade agreement.

China performed moderately well, partly thanks to 1Q GDP numbers, although Chinese banks were weaker as regulators took steps to tighten risk management. Turkish equities were among the strongest, rising almost 10%. Most gains came after the referendum on 16th April, in which various constitutional changes leading to an executive presidency were approved by a narrow margin. While opinions on President Erdogan are divided, his success in the referendum appears to be interpreted as giving greater stability, at least in the short term.

The fund lagged in April

The Portfolio In April, the fund fell 0.54%, while the benchmark MSCI EM index rose 0.37%. This means that so far in

2017, the fund is roughly in line with benchmark: as of 2 May, the fund is up 11.40%, while the benchmark is up 11.36%.

Relative to the benchmark, the fund lagged slightly in April. Our allocations to different countries and sectors were marginally negative. Information Technology was the best performing sector in the market, and although our IT holdings performed more strongly than the benchmark, the fund suffered because we have relatively low weight in the sector.

In April, our selections of individual stocks also had a slightly negative impact. Among the most significant detractors was a stock we don't own: Samsung Electronics, which had a strong month and which is around 4% of the MSCI EM benchmark. Meanwhile, some of our holdings had a tough month.

Korean car parts maker Mando's quarterly results showed that its Chinese operations suffered from volume slowdowns in Hyundai Motor's Chinese businesses; we recognize these short term headwinds but are focused on the long-term potential, which includes rising proportions of sales from Advanced Driver Assistance Systems (ADAS), and from non-Hyundai customers. In Taiwan, contact lens maker Ginko fell, pressured mainly by the fact that the Chinese RMB has depreciated against the Taiwan Dollar – and Ginko's revenues come predominantly from China.

On the other hand, we saw strong selection returns in India. This was driven mainly by Engineers India, a design and engineering company, and Ceat, a tire company, both of which rose around 14%.

See performance and fund data

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Strategy

Ethical Emerging Markets Value invests in equities issued by companies from Emerging Markets, cf. the fund's prospectus. Stocks are selected using the value strategy, meaning that through careful fundamental analysis, the team strives to identify companies that trade at healthy discounts relative to intrinsic value. A risk-aware approach to the portfolio construction ensures a well-diversified portfolio and broad exposure across sectors and countries.